

A nonprofit organization formed and operated to aid elderly unemployed persons of limited means in obtaining employment by providing such persons with free counseling and placement services and by educating the general public in the employment capabilities of the elderly qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

Revenue Ruling 57-297, C.B. 1957-2, 307, distinguished.

Advice has been requested whether a nonprofit organization formed and operated in the manner described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was formed to aid elderly unemployed persons of limited means in securing employment which would relieve them of economic hardship. Membership in the organization is not necessary to qualify as a beneficiary. The organization's activities consist of educating the public in the training and experience of the elderly and of securing employment for them. The organization analyzes the background of each applicant and determines his most likely field of employment. Beneficiaries are counseled in the type of employment that would seem most suitable for them; employers are educated in the values of the experience of older persons; and the public is educated in the economic waste resulting from failure to use talents of older persons. The placement function is the primary activity of the organization; the educational activities are incidental.

The organization's income is derived from contributions which are used for operating expenses. Beneficiaries are not required or expected to make any financial contributions to the organization.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term charitable includes relief of the poor and distressed or of the underprivileged, lessening of the burdens of Government, and promotion of social welfare by organizations designed to accomplish any of the above purposes.

An organization which devotes itself to assisting at no charge elderly unemployed persons, primarily comprised of those elderly persons of limited means who would otherwise experience economic hardship, to secure employment, is engaged in an exclusively charitable activity. Accordingly, this organization is entitled to exemption from Federal income tax under section 501(c)(3) of the Code.

This case is distinguishable from that covered in Revenue Ruling 57-297, C.B. 1957-2, 307, which holds that a corporation organized for the purpose of rehabilitating unemployed persons over a stated age by educating the general public in the special qualifications of such persons, combating prejudice against employment of such persons, and securing employment of its members, is not entitled to exemption from Federal income tax under section 501(c)(3) of the Code. In that case the members of the organization were the beneficiaries and they were expected to contribute to the organization in return for benefits secured.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.